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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 9, 2001

APPLICATION OF

ROANOKE GAS COMPANY

CASE NO. PUE970420

For authorization to implement
a Pilot Gas Cost Hedging Program

ORDER CONTINUING PROGRAM

By Order dated July 24, 1997, the Commission authorized Roanoke Gas Company ("Roanoke" or "Company") to engage in a pilot program to employ financial hedges for up to 25% of its normal winter demand for natural gas service. The program was authorized for a one-year term, beginning August 1, 1997, subject to certain reporting requirements.

On April 14, 1998, Roanoke submitted its Report accompanied by a request for continuation of the Pilot Gas Cost Hedging Program for an additional two-year period. By Order dated April 27, 1998, the Commission granted Roanoke's request for an extension for a two-year period ending July 31, 2000. In addition, the Commission required the Company to file periodic reports, including a final report on October 1, 2000, detailing the results of the pilot.

The Company filed the required reports. According to the October 1, 2000, report the three-year pilot program resulted in

a net increase to gas costs. The Company attributed the net increase to the abnormally warm winter weather and the corresponding abnormally low gas prices that occurred during the three-year pilot period. The Company further stated in its October 1st report that had weather been normal or colder than normal, the hedge contracts would have helped to protect customers against large price swings.

On December 21, 2000, Roanoke requested a further extension of the pilot. Currently, gas prices have risen sharply and Roanoke believes the opportunity may likely arise to make economic use of the hedging mechanisms we have previously approved for the Company. Consequently, it seeks authority for the extension of the program for a two-year period. Our Staff has advised that it concurs with the Company's request.

Accordingly, IT IS ORDERED THAT:

(1) The Request for Continuation of a Pilot Gas Cost Hedging Program is granted for a two-year period ending on January 31, 2003.

(2) The Company shall submit a report to the Commission's Division of Economics and Finance on or before March 30, 2002, detailing the results of the first year of the extension of the pilot and file a subsequent report on or before April 30, 2003, detailing comprehensive results of the program. The Company shall also file copies of any financial instruments executed

under this program with the Divisions of Energy Regulation and Economics and Finance promptly upon execution thereof.

(3) This matter is continued for further orders of the Commission.

AN ATTESTED COPY HEREOF shall be sent to Dale P. Moore, Roanoke Gas Company, 519 Kimball Avenue, N.E., P.O. Box 13007, Roanoke, Virginia 24030; John F. Dudley, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and to the Commission's Divisions of Economics and Finance and Energy Regulation.